



United States Department of the Interior

BUREAU OF LAND MANAGEMENT HOUSE RANGE RESOURCE AREA

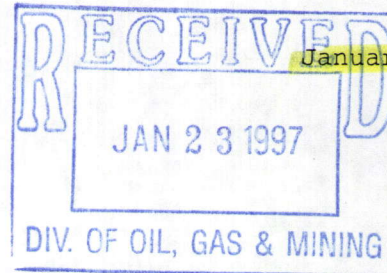
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P.O. Box 778
Fillmore, Utah 84631



IN REPLY REFER TO:
3800
(U-054)
UTU-072862

CERTIFIED MAIL #Z 138 791 114
RETURN RECEIPT REQUESTED

ALAN R CERNY
WESTERN STATES MINERALS CORPORATION
4975 VAN GORDON ST
WHEATRIDGE CO 80033



January 17, 1997

Dear Mr. Cerny:

On July 8, 1983 this office received from Western States Minerals Corporation (WSMC) a Plan of Operations (POO) for the Drum Mine. The POO was approved on August 18, 1983. On January 30, 1984, we received an amendment to the POO, which revised the location of the waste dump indicated on the attached map. This amendment was approved on February 2, 1984. On April 13, 1984, we received a second amendment, this one proposing exploration roads and drill sites. This was approved on May 4, 1984. On December 9, 1988, we received from Jumbo Mining Company a letter which stated it was "currently working within the guidelines of the Plan of Operation submitted by Western States". We never formally concurred with the change of operators; however, our subsequent actions indicate that we have since that time considered Jumbo to have assumed the responsibility for the operations and liabilities of the POO. Jumbo has also indicated to us directly that it wishes to assume responsibility for two additional heaps that were never part of the POO and, accordingly, we are not asking WSMC to reclaim them.

There are, however, several disturbances within the Drum Mine project that were never part of the approved POO and associated amendments mentioned above. Most of these disturbances were apparently created by WSMC without authorization and, as such, we consider the company to be liable for any and all costs of restoring any natural resources damaged by the unpermitted activities and for clean-up and reclamation of the disturbances. Most of the disturbances are indicated on the map labeled Attachment 1 and include:

Lo-Grade Heaps #'s 1, 2, and 3 (2.1, 2.9, and 3.4 acres, respectively)
Hi-Grade Heaps #'s 6 and 7 (1.5 and 5.3 acres, respectively)
One 3.6 acre waste dump
One 5.2 acre waste dump

This is a total of 24 acres of unauthorized disturbance. WSMC appears to be in violation of the following regulations:

- 43 CFR 3809.3-2 Failure to file a Plan of Operations.
- 43 CFR 3809.1-9(b) Failure to post reclamation bond after approval of a Plan of Operations.
- 43 CFR 3809.2-2(b) Failure to comply with applicable Federal and State water quality standards.
- 43 CFR 3809.3-7 Failure to obtain permission to not reclaim during extended periods of non-operation.

Please submit a Plan of Operations for reclamation of the above-mentioned disturbances. This POO should include the following:

Since the integrity of the pad liners and collection systems is not acceptable, the heaps cannot be rinsed. Therefore, a reclamation plan for placing impermeable caps over the heaps must be submitted. The proposed starting date for beginning this reclamation must be within 120 days of receipt of this letter. If, by the end of the 120 day period, the State of Utah, Division of Water Quality (DWQ) has determined that the heaps are not discharging contaminants to groundwater, the heaps may be reclaimed as though they had been rinsed, and an alternative reclamation proposal should be submitted for this contingency. Since it is possible that DWQ will not be able to determine the status of the heaps through its sampling, you may want to propose to them your own sampling plan.

A reclamation plan for the two waste dumps.

A source of topsoil for reclamation of the waste dumps and pads.

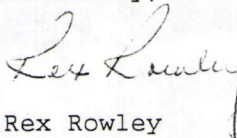
On January 3, 1997, an inspection was conducted at Busby Spring, northeast of the mine site. Within the immediate vicinity of the spring are several disturbances which we were told were created by WSMC. We have no record in our files of you proposing any drilling or development of this area. The most notable of the disturbances is a drill hole just above the spring on the hill. This hole is unplugged, and is filled with water. This is a threat to groundwater in the area, and also may have altered the flow of the spring itself. The State of Utah, Division of Oil, Gas and Mining (UDOGM) requires that 50 foot plugs be inserted on either side of any aquifer encountered by exploratory drilling. This hole must be plugged within 90 days of receipt of this letter. WSMC also built a pond below the spring and built a pipe structure with which to fill water trucks. The reclamation of both these disturbances must be addressed in the reclamation plan.

Also, attached to this letter is a notice of intent (NOI) submitted by WSMC on December 19, 1983 (Attachment 2). This NOI was neither date stamped nor apparently accepted by this office. Since it is outside the project boundary of the Drum Mine and was never approved as an amendment, we are not considering it part of the original POO and we consider WSMC liable for the reclamation of any disturbance associated with it. A careful inspection of this site has never been conducted; however, we received a subsequent NOI (Attachment 3) on August 24, 1987, which appears to refer to the disturbance created under the 1983 notice, and preliminary inspections indicate that some disturbance was associated with this notice. The reclamation plan should include the rehabilitation of these disturbances. We intend to inspect them more closely within 30 days, and if necessary will be able to specify to you our requirements.

WSMC submitted an NOI in 1985 that was not serialized, and an additional two NOIs submitted in 1987 that were serialized UT-057-39N and UT-056-64N. All these NOIs proposed exploration on the Mizpah claims, upon which Jumbo has since submitted a Plan of Operations to Mine. The Plan has not yet been approved by UDOGM, and no mining has taken place. We have given Jumbo a deadline by which to submit a reclamation bond for the exploration work. If they fail to meet this deadline, the site must immediately be reclaimed by WSMC. Your reclamation plan should include the rehabilitation of the disturbances associated with your exploration notices. If Jumbo does submit a bond by its deadline, which will fall before April 30, 1997, your plan can be modified to exclude reclamation of the disturbances at the Mizpah site.

Within 45 days of receipt of this letter, please submit a Plan of Operations, containing a reclamation plan for these disturbances, so a notice of noncompliance does not have to be issued. Within 30 days after submitting the POO, you must also provide a realistic reclamation cost estimate for the most costly reclamation alternative. If that estimate exceeds the amount of bond currently held jointly by the BLM and UDOGM, the amount of the shortfall will need to be posted at that time. The amount of the bond can be adjusted after it is determined whether or not the heaps are contaminated, the agencies have completed their own cost estimate, and if Jumbo assumes any additional reclamation liability. You need to be aware that failure to submit the bond can also result in the issuance of a notice of noncompliance. Please contact Ron Teseneer at (801)743-6811, if you have any questions.

Sincerely,



Rex Rowley
Area Manager

Enclosures

1. Map of Mine Site
2. 2 Notices of Intent

cc: D. Wayne Hedberg, State of Utah, Division of Oil, Gas and Mining

E B King, Jumbo Mining Company, 6305 Fern Spring Cove, Austin, TX 78730

Mark Novak, State of Utah, Department of Environmental Quality Division of Water Quality

Darrell Willden, PO Box 336, Delta, UT 84624